

FDIC State Profile

Summer 2004

New Mexico

New Mexico's employment base provides for more stable job growth than the nation.

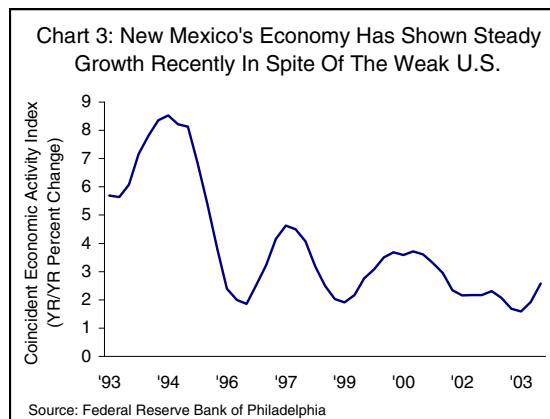
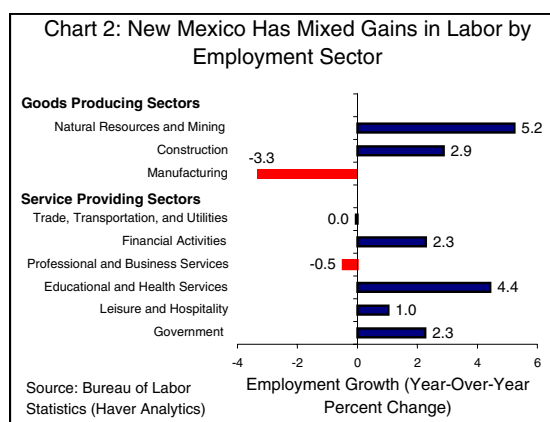
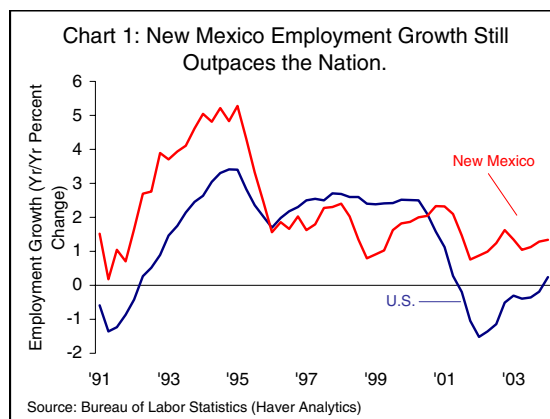
- New Mexico employment growth has exceeded the nation since the end of 2000 and has been expanding consistently for the past year (See Chart 1).
- Strong construction and government employment, and the relative lack of cyclical sectors, such as manufacturing, have helped New Mexico sustain steady job growth and stable economic performance.
- The comparatively strong economy contributed to New Mexico's faster personal income growth relative to the nation in 2003. Although population growth exceeded the national growth rate, per capita income growth in the state still outpaced the U.S.
- New Mexico's income growth was aided by impressive gains in transfer receipts and strong net earnings growth in the sectors of construction, professional and business services, and education and health services.

Job growth in New Mexico has been uneven among major industry sectors.

- Education/health services, construction and natural resources and mining have been the fastest growing sectors, driven by an influx of retirees, historically low mortgage interest rates, and increasing raw material prices (See Chart 2).
- Job losses were concentrated in manufacturing and professional/business services.

The New Mexico economy is poised for continued expansion in 2004.

- The Coincident Index of Economic Activity¹ has shown that the New Mexico economy has performed well and the strengthening U.S. expansion should ensure steady growth during 2004 (See Chart 3).



¹Coincident Economic Activity includes four indicators: non-farm payroll employment, the unemployment rate, average hours worked in manufacturing and wages and salaries. The state's index is designed to approximate that of gross state product.

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- A favorable climate and relatively low living costs have attracted an influx of retirees, which will continue to increase demand for residential construction, public infrastructure, and health services.

Adverse World Trade Organization (WTO) ruling could affect New Mexico agriculture.

- An adverse WTO ruling against U.S. cotton subsidies was announced on June 18, 2004, which indicated that U.S. cotton subsidies were anti-competitive.
- Changes or reductions in cotton subsidies as a result of an adverse WTO finding against U.S. cotton subsidies may adversely impact U.S. cotton producers and lenders in highly concentrated cotton areas.
- Moreover, it is still unclear whether a decision to change or repeal cotton subsidies could affect subsidies for other agricultural commodities or future multi-lateral trade agreements.

Consumer fundamentals continue to exhibit some signs of weakness, but have not affected insured institution asset quality.

- New Mexico single-family mortgage foreclosures remain among the highest levels in a decade (See Chart 4).
- However, New Mexico insured institutions reported an average residential mortgage past-due rate of 2.32 percent as of March 31, 2004, among the lowest levels reported during the past seven years.
- Bankruptcy filings continue to rise in New Mexico to the highest level in a decade, albeit below the U.S. average (See Chart 5).
- While consumer past-due loan rates among New Mexico insured institutions have fallen over the past several years, the upward trend in consumer debt service burdens and bankruptcy filings suggest that consumer credit quality is an area to watch going forward. Moreover, should short-term interest rates move higher, consumer cash flows may also be negatively affected.

Despite weakness in commercial real estate (CRE) markets, lenders have not experienced significant deterioration in their portfolios.²

- The Albuquerque MSA reported an office vacancy rate of 17.1 percent as of March 31, 2004, down 120 basis points from the decade high level last quarter. Positive job growth along with slowing office construction should continue to translate into lower vacancy rates.

- The availability rate for Albuquerque's industrial market is also hovering around 10-year highs as weak demand continues to offset slowing construction.
- Despite some general weakness in the CRE sector, New Mexico insured institutions have increased CRE exposure to among the highest levels in a decade (See Chart 6). Despite this heightened exposure, New Mexico insured institutions reported improved CRE loan past-due and charge-off rates.

Chart 4: New Mexico Mortgage Foreclosure Rates Continue to Outpace the U.S.

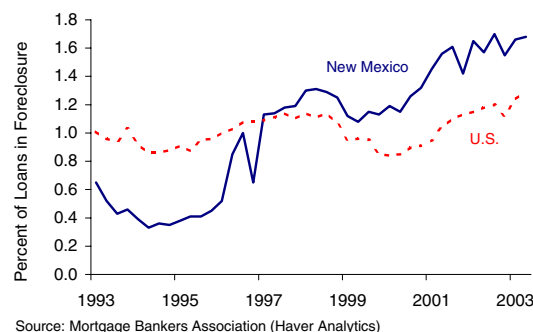


Chart 5: New Mexico Personal Per Capita Bankruptcy Rates Follow a General Upward Trend

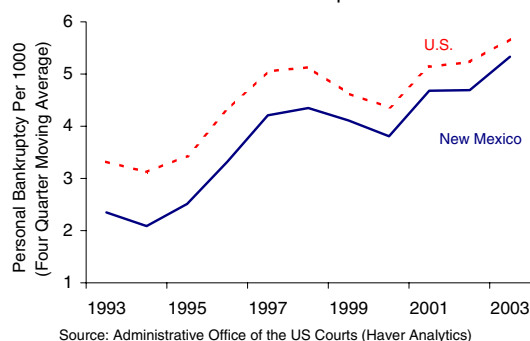
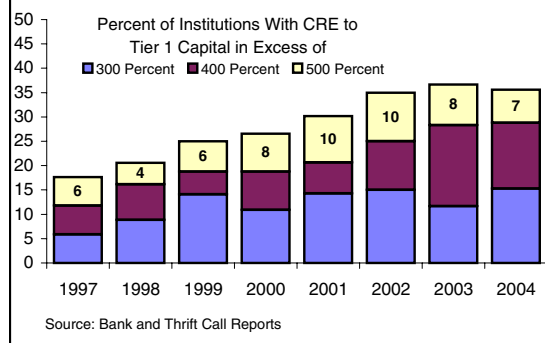


Chart 6: New Mexico Institutions Report High Levels of CRE Exposure Despite Weak Fundamentals.



²Commercial real estate loans are defined as non-residential real estate, multi-family, and construction and development loans.

New Mexico at a Glance

General Information	Mar-04	Mar-03	Mar-02	Mar-01	Mar-00
Institutions (#)	59	60	63	63	61
Total Assets (in thousands)	15,073,562	19,364,227	18,688,708	18,257,776	18,702,299
New Institutions (# < 3 years)	1	5	7	8	6
New Institutions (# < 9 years)	12	12	12	12	8
Capital	Mar-04	Mar-03	Mar-02	Mar-01	Mar-00
Tier 1 Leverage (median)	8.55	8.66	8.39	8.66	8.70
Asset Quality	Mar-04	Mar-03	Mar-02	Mar-01	Mar-00
Past-Due and Nonaccrual (median %)	1.65%	1.65%	2.16%	2.34%	2.03%
Past-Due and Nonaccrual >= 5%	6	7	11	8	7
ALLL/Total Loans (median %)	1.32%	1.38%	1.29%	1.29%	1.26%
ALLL/Noncurrent Loans (median multiple)	1.72	1.24	1.51	1.45	1.37
Net Loan Losses/Loans (aggregate)	0.24%	0.18%	0.29%	0.30%	0.34%
Earnings	Mar-04	Mar-03	Mar-02	Mar-01	Mar-00
Unprofitable Institutions (#)	2	3	4	7	3
Percent Unprofitable	3.39%	5.00%	6.35%	11.11%	4.92%
Return on Assets (median %)	1.00	1.06	1.03	1.08	1.22
25th Percentile	0.69	0.77	0.61	0.52	0.70
Net Interest Margin (median %)	4.46%	4.54%	4.71%	4.92%	5.26%
Yield on Earning Assets (median)	5.68%	6.17%	6.92%	8.49%	8.44%
Cost of Funding Earning Assets (median)	1.21%	1.54%	2.08%	3.62%	3.34%
Provisions to Avg. Assets (median)	0.11%	0.16%	0.17%	0.20%	0.10%
Noninterest Income to Avg. Assets (median)	0.74%	0.85%	0.87%	0.75%	0.77%
Overhead to Avg. Assets (median)	3.29%	3.39%	3.49%	3.53%	3.54%
Liquidity/Sensitivity	Mar-04	Mar-03	Mar-02	Mar-01	Mar-00
Loans to Deposits (median %)	72.92%	71.33%	71.29%	68.70%	71.77%
Loans to Assets (median %)	61.77%	58.53%	57.51%	58.58%	62.25%
Brokered Deposits (# of Institutions)	8	9	10	8	5
Bro. Deps./Assets (median for above inst.)	1.15%	1.99%	2.16%	3.01%	4.91%
Noncore Funding to Assets (median)	19.86%	18.99%	20.10%	20.22%	20.42%
Core Funding to Assets (median)	68.05%	69.31%	68.28%	67.06%	68.44%
Bank Class	Mar-04	Mar-03	Mar-02	Mar-01	Mar-00
State Nonmember	32	32	33	34	31
National	14	15	16	15	17
State Member	4	4	4	4	3
S&L	4	4	5	5	5
Savings Bank	5	5	5	5	5
Stock and Mutual SB	0	0	0	0	0
MSA Distribution	# of Inst.	Assets	% Inst.	% Assets	
No MSA	41	9,760,677	69.49%	64.75%	
Albuquerque NM	10	2,210,007	16.95%	14.66%	
Santa Fe NM	5	2,767,592	8.47%	18.36%	
Las Cruces NM	3	335,286	5.08%	2.22%	